

Issue 83: INSIDER'S EDGE: Tax Dependents over Age 21

Dear Marge,

I have a couple of questions about tax dependents over the age of 21.

1. When an adult child age 21 and above still lives at home with their parent(s) and is claimed as a dependent on the parent(s) tax return, is the parent(s) income counted towards the adult child's Medicaid case?
2. How would you handle an adult child age 21 or older who is applying for their parents and the adult child claims the parents as dependents on his or her tax return? Would the adult child's income count towards the parents' Medicaid case?

--Curious Caseworker in Montgomery County

Thanks for the questions! As usual, I'll review the basic rules on constructing households then address the scenarios.

A Quick Refresher: Relationship-Based Rules (Readers in a Rush? Scroll Down for the Question!)

For purposes of determining eligibility for insurance affordability programs, including Medicaid, in most cases the household includes the people who file federal income taxes together for the taxable year in which the eligibility determination is made.

Tax filer household rules:

- Tax filer is head of household and usually the primary applicant;
- Tax filer's spouse (must file jointly for APTC/CSR);
- Anyone else the tax filer will claim as a tax dependent (i.e. claim a personal exemption deduction for) on that year's tax return.
 - For example, the taxpayer's older children will count toward the family size if the taxpayer claims them as a dependent even if they don't live at home.

Under the tax dependent household rules, the following individuals must be included in the household:

- Tax dependent;
- Tax filer who is claiming the individual as a tax dependent (this could be two people if filing jointly);
- Tax filer's spouse, if living with the tax filer;
- Any other tax dependents the taxpayer(s) claim;
- The tax dependent's spouse if they live together.

There are a number of situations in which the household rules used to determine Medicaid eligibility are different from the general tax-based household rules. When these exceptions

arise, the Medicaid household for the applicant is constructed based on the relationships between family members who live together and is not based on tax filing relationships.

So what exceptions trigger use of the relationship-based rules for Medicaid eligibility determinations?

Application of Relationship-Based Rules
1) Applicant is not planning to file taxes (and is not claimed as a dependent).
2) Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative.
3) Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.
4) Child, under age 21, lives with a custodial parent but will be claimed as a tax dependent by a noncustodial parent.

If one of the exceptions above is triggered, how is the household constructed using the relationship-based rules?

For adults, a household must consist of:

- Adult applying for coverage;
- Adult's married spouse, if living with the applicant; and
- Adult's natural, adopted and stepchildren, or any child for whom they act as a caretaker, up to age 21, if living with the adult.

For children (under age 21), a household must consist of:

- A child applying for coverage.
- Any of the child's parents or stepparents (or adoptive parents), if living with the child.
- Any of the child's siblings or stepsiblings (or adoptive siblings) under age 21 and living with the child.
- If the child is married, the spouse (if the spouse is living with the child); and if the child has their own children, the children and step-children (if living with the married child).

This Week's Questions

1. When an adult child age 21 and above still lives at home with their parent(s) and is claimed as a dependent on the parent(s) tax return, is the parent(s) income counted towards the adult child's Medicaid case?

Yes! Let's meet one of this week's families to see how the rules work in action.



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Cassie and Noah are married. Their daughter, Kaitlyn, is 21 years old. Kaitlyn lives at home and attends college locally. Cassie and Noah file taxes jointly and claim Kaitlyn as a dependent. Kaitlyn works at the school library part-time. Kaitlyn's income exceeds the minimum filing requirements for a dependent child, so she also files her own taxes.

- **Kaitlyn (daughter): Cassie + Noah + Kaitlyn = Household of 3**

In Kaitlyn's case, the tax dependent household rules apply. Therefore, her household will be the same when determining her eligibility for both Medicaid and a qualified health plan (QHP) with advanced premium tax credits (APTC) and cost-sharing reductions (CSR). Her household size will be 3.

The household's income will include Cassie, Noah, and Kaitlyn's income. Kaitlyn's income counts towards the household because she is required to file taxes.

Note: If Kaitlyn's income does not exceed the minimum filing requirements for a dependent child, her income will not count towards the total household income. Only her parents' income will count.

- **Cassie (mom): Cassie + Noah + Kaitlyn = Household of 3**

In Cassie's case, the tax filer household rules apply. As a tax filer, her household includes herself, her spouse (Noah), and her dependent, Kaitlyn. The household's income will include Cassie, Noah, and Kaitlyn's income. Kaitlyn's income counts towards the household income because she is required to file taxes.

- **Noah (dad): Cassie + Noah + Kaitlyn = Household of 3**

In Noah's case, the tax filer household rules apply. As a tax filer, his household includes himself, his spouse (Cassie), and his dependent, Kaitlyn. The household's income will include Cassie,

Noah, and Kaitlyn's income. Kaitlyn's income counts towards the household income because she is required to file taxes.

2. How would you handle an adult child age 21 or older who is applying for their parents and the adult child claims the parents as dependents on his or her tax return? Would the adult child's income count towards the parents' Medicaid case?

No. Let's meet this week's second family to see what the household would like for each family member.



Rasneek is 28 years old. She files taxes and claims her two parents, Rajpal and Shireen, and her daughter, Katrina, as tax dependents. Rajpal and Shireen are married and under age 65.

• **Rajpal (grandfather):** Rajpal + Shireen = Household of 2

Rajpal's situation triggers exception **(2) Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative.** In Rajpal's household, we count Rajpal and his spouse, Shireen.

Rasneek's income will not be considered when determining Rajpal's eligibility for Medicaid.

• **Shireen (grandmother):** Rajpal + Shireen = Household of 2

Shireen's situation is identical to her husband's and triggers exception **(2) Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative.** In Shireen's household, we count Shireen and her spouse, Rajpal.

Rasneek's income will not be considered when determining Shireen's eligibility for Medicaid.

- **Rasneek (mother): Rasneek + Rajpal + Shireen + Katrina = Household of 4**

In Rasneek's case, the tax filer household rules apply. As a tax filer, her household includes herself and her three tax dependents, Rajpal, Shireen and Katrina. Her household size will be 4.

- **Katrina (daughter): Rasneek + Rajpal + Shireen + Katrina = Household of 4**

In Katrina's case, the tax dependent household rules apply. As a tax dependent, her household includes herself, her mother, and her mother's other two tax dependents, Rajpal and Shireen. Her household size will be 4.

Questions? Send them my way to dhmh.medicaidmarge@maryland.gov!